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H PLEASE PASS TO CODEL VOINOVICH

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TAGS: [PREL](#) [PGOV](#) [AU](#)  
SUBJECT: SCENESETTER FOR CODEL VOINOVICH'S VISIT TO VIENNA,  
MARCH 22, 2006

This message is sensitive but unclassified.

¶1. (SBU) Austrian-U.S. relations have a solid basis in the common values of democracy and civil rights, and Austria's international activities contribute to our shared vision of a world of peace, freedom, democracy and prosperity. Austria holds the rotating Presidency of the EU Council for the first half of 2006, giving the U.S. the opportunity to work with the government at an unusually high level of intensity. Within the traditional "honest broker" role of the EU presidency country, Austria has used its presidency to focus the EU's attention on the economic and social development of the western Balkans. Austria plays a vital role in peacekeeping missions in the Balkans. Austria also takes a lively interest in the new EU members that neighbor it to the east. In addition, Austria is promoting the U.S.-EU Transatlantic Partnership during its presidency and looks forward to hosting the U.S.-EU summit in June.

¶2. (SBU) Chancellor Wolfgang Schuessel's Austrian People's Party (OVP) governs Austria in coalition with the Alliance Future Austria (BZO). With the OVP generally running behind the Social Democrats in the polls and the BZO's popularity very low, Schuessel will face an uphill battle to retain the Chancellorship in elections this fall.

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Freedom Agenda  
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¶3. (SBU) Under Schuessel, Austria has played an active role in advancing freedom and stability in the EU's neighborhood. Austria's foreign policy agenda for the presidency starts in the Balkans, where Schuessel has been a solid partner with us. Austria assumed a EUFOR command in Bosnia on November 30, 2005; it has 600 troops in Kosovo and over 300 in Bosnia. The government has placed no caveats on the use of the troops. As EU President, Schuessel has facilitated progress on status questions in Kosovo and elsewhere, and the Austrians have worked closely with the U.S. and with Special Envoy Martti Ahtisaari.

¶4. (SBU) A broader area of emphasis for the Austrian presidency is the EU's "New Neighborhood" policy. Austria has already taken the lead for the EU in coordinating law enforcement activities in Central and Eastern Europe and Central Asia. Working with EU External Relations Commissioner Benita Ferrero-Waldner, a Schuessel protege, the Austrian presidency is encouraging stability and further development in the region. The Austrians share U.S. views regarding Belarus President Lukashenko and have been helpful in trying to promote democracy in Belarus.

¶5. (SBU) In the Broader Middle East, Austria has encouraged

the identification of common values as a response to extremism. In November, Austria kicked off its presidency by hosting a conference on "Islam in a Pluralistic World," which Iraqi and Afghan Presidents Talabani and Karzai attended. This event reinforced the message of the Bahrain BMENA conference and supported our broad goals. The Austrian presidency has also led the EU effort to encourage dialogue with the Muslim world in the wake of the Danish cartoon controversy. Austria has made modest contributions to stability in Iraq: police trainers at the Iraqi Police Academy in Jordan, limited humanitarian aid, substantial debt relief, and offers of export credit guarantees. On Turkey, the Austrians are content for accession talks to proceed. However, as Schuessel demonstrated in the run-up to the October accession talks in the EU, he will not shy away from addressing problematic issues if they arise.

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Economic Prosperity and Development  
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¶6. (SBU) Austrian business, especially in the financial sector, has delivered real benefits to the area between Austria and the Russian border. Austrian banks are important in the region, holding almost a quarter of the banking sector. The stability they bring has been a basis for commercial investment and development. USG officials have been actively working with Austrian government and financial interlocutors on issues of concern relating to illicit finance, anti-money laundering/counter-terrorist financing and WMD proliferation.

¶7. (SBU) The Austrian bank Raiffeisen has found itself in the spotlight because its subsidiary, Raiffeisen International AG (RIAG), was instrumental in the January natural gas deal between Russia and Ukraine. RIAG serves as

a trustee for an unnamed partner in the RUE joint venture with Gazprom. RUE was key in "unblocking" the dispute. According to press reports, RUE will blend more expensive gas from Russia with cheaper supplies from Turkmenistan and resell it to Western Europe at market prices and Ukraine at a lower price. The press has speculated considerably over the identity of the unnamed partner that RIAG represents, with conjectures ranging from Russian and Ukrainian politicians to organized crime figures.

¶8. (SBU) Austrian firms have sought a strong presence in the Middle East. Austrian business has made strides in reestablishing itself in Iraq, and the Austrian government has recently decided to open a Trade Office in Erbil. Austrian Airlines is planning to become the first western airline to institute regular flights to Iraq. Austrian development policy focuses on Official Development Assistance, committing resources to a few "priority countries" in order to maximize impact. The Austrians prefer to channel emergency response through the EU, although they made generous bilateral offers for assistance after Hurricane Katrina.

¶9. (SBU) Austria has traditionally had close commercial relations with Iran. An Austrian arms manufacturer sold high-power sniper rifles to Iran in 2005 before the Austrian government halted further deliveries. Iranian plans to open a large trade center in the Austrian state of Burgenland recently fell through due to logistical difficulties on the part of Iran.

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Fight Against Terrorism  
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¶10. (SBU) Austria is a strong partner in stemming financial flows to terrorists, and our law enforcement cooperation is effective. Austria does not participate in military activity in Iraq, and it has not had a combat role in Afghanistan. In Afghanistan, almost a hundred Austrian troops deployed to a Provincial Reconstruction Team in Kunduz last fall to provide

election security.

¶11. (SBU) The Austrian government has made anti-corruption and law enforcement cooperation a cornerstone of the presidency. They will host a major conference in Vienna in May to coordinate EU law enforcement activities in the area along the EU's eastern border.

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Political Situation  
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¶12. (SBU) Schuessel, in office since 2000, faces parliamentary elections in fall 2006. He remains personally popular, but his conservative People's Party has generally done poorly in local elections and consistently lags behind the Social Democrats by 4-5 points. His current coalition partner is in disarray. Many observers expect the elections to result in a grand coalition between the People's Party and the Social Democrats.

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